

TOWNSHIP OF VICTOR
Clinton County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Victor	County Clinton
Audit Date March 31, 2006	Opinion Date August 3, 2006	Date Accountant Report Submitted to State: August 3, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature Campbell, Kusterer & Co.		Zip 48707	

TOWNSHIP OF VICTOR
Clinton County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	5
Government-wide Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	7
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balances	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Notes to Financial Statements	11-15
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	16
Other supporting information:	
General Fund Expenditures by Detailed Account	17-18
Current Tax Collection Fund – Statement of Changes in Assets and Liabilities	19
Current Tax Collection Fund Statement of Cash Receipts and Disbursements	20

CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

August 3, 2006

To the Township Board
Township of Victor
Clinton County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Victor, Clinton County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Victor's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Victor, Clinton County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF VICTOR
Clinton County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

The Victor Township Board provides interested parties with the following report of the Township's financial statements and a narrative overview and analysis of the financial activities of Victor Township for the fiscal year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

- The assets of Victor Township exceeded its liabilities at the close of the most recent fiscal year by \$975,806.33 (net assets). Of this amount, \$413,658.33 (unrestricted net assets) may be used to meet the Township's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$413,658.33, a increase of \$180,919.78 in comparison with the prior year. This represents unreserved fund balance and is available for spending at the Township's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Victor Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements present the functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Township include: (Legislative, general government, building and grounds, cemetery, public safety, community and economic development, public works (roads and drains), health and welfare, recreation and culture, and capital outlay.)

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. Victor Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Township maintains a governmental fund and a fiduciary tax fund.

The Township adopts an annual appropriated budget for its general fund. A budgetary statement has been provided for the General Fund to demonstrate compliance with this budget.

TOWNSHIP OF VICTOR
Clinton County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's progress in funding its obligation to provide (pension benefits) to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The most significant portion of the Township's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

Governmental activities – Governmental activities increased the Township's net assets by \$160,928.78 accounting for 100% of the total increase in the net assets of the Township. The higher than anticipated surplus resulted from three major factors:

1. advance payment of 2005 capital and first quarter operating expense to Clinton Area Fire & Rescue in the 2004-05 fiscal year resulted in three rather than four payments in fiscal year 2005-06 as budgeted;
2. higher than expected road project costs resulted in deferment of a planning paving project; and
3. revenues slightly higher than projected.

Other than the above mentioned items, expenses were in line with budget.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds – The focus of the Township's governmental funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$413,658.33. The total amount constitutes unreserved fund balance, which is available for spending at the Township's discretion.

There was no change between the original budget and amended budget.

TOWNSHIP OF VICTOR
Clinton County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The Township's investment in capital assets for its governmental activities as of March 31, 2006, amounts to \$562,148.00 (net of accumulated depreciation).

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Victor Township receives only constitutional revenue sharing and therefore expects that State-shared revenues will remain relatively flat or slightly increase in the 2006-2007 fiscal year. The Township's millage rate was reduced again by the Headlee Amendment rollback to .9811 mills for general operating purposes. Taxable value increased by \$6,046,515.00 from last year. These factors were considered in preparing the Township's budget for the 2006-2007 fiscal year.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide a general overview of Victor Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Supervisor, Treasurer or Clerk of Victor Township, 6843 E. Alward Road, Laingsburg, Michigan 48848, or call 517-651-2094.

TOWNSHIP OF VICTOR
Clinton County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	392 281 21
Taxes receivable	16 972 12
Accounts receivable	<u>6 500 00</u>
Total Current Assets	<u>415 753 33</u>
NON-CURRENT ASSETS:	
Capital Assets	696 895 00
Less: Accumulated Depreciation	<u>(134 747 00)</u>
Total Non-current Assets	<u>562 148 00</u>
TOTAL ASSETS	<u>977 901 33</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>2 095 00</u>
Total Current Liabilities	<u>2 095 00</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>2 095 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	562 148 00
Unrestricted	<u>413 658 33</u>
Total Net Assets	<u>975 806 33</u>
TOTAL LIABILITIES AND NET ASSETS	<u>977 901 33</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF VICTOR
Clinton County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	34 450 28	-	(34 450 28)
General government	133 617 74	49 335 22	(84 282 52)
Public safety	77 198 26	1 500 00	(75 698 26)
Public works	124 466 76	-	(124 466 76)
Culture and recreation	3 914 88	-	(3 914 88)
Total Governmental Activities	<u>373 647 92</u>	<u>50 835 22</u>	<u>(322 812 70)</u>
General Revenues:			
Property taxes			230 060 94
State revenue sharing			226 095 14
Interest			5 164 52
Miscellaneous			<u>22 420 88</u>
Total General Revenues			<u>483 741 48</u>
Change in net assets			160 928 78
Net assets, beginning of year			<u>814 877 55</u>
Net Assets, End of Year			<u>975 806 33</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF VICTOR
Clinton County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2006

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	387 223 22
Taxes receivable	16 972 12
Accounts receivable	6 500 00
Due from other funds	<u>5 057 99</u>
Total Assets	<u>415 753 33</u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	<u>2 095 00</u>
Total liabilities	<u>2 095 00</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>413 658 33</u>
Total fund equity	<u>413 658 33</u>
Total Liabilities and Fund Equity	<u>415 753 33</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF VICTOR
Clinton County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	413 658 33
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	696 895 00
Accumulated depreciation	<u>(134 747 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>975 806 33</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF VICTOR
Clinton County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2006

	<u>Total (General)</u>
Revenues:	
Property taxes	230 060 94
Licenses and permits	9 735 60
State revenue sharing	226 095 14
Charges for services – PTAF	32 011 42
Charges for services – other	9 088 20
Interest	5 164 52
Miscellaneous	<u>22 420 88</u>
Total revenues	<u>534 576 70</u>
Expenditures:	
Legislative:	
Township Board	34 450 28
General government:	
Supervisor	12 000 00
Elections	3 909 64
Assessor	24 625 21
Clerk	21 257 18
Board of Review	885 26
Treasurer	16 208 75
Building and grounds	28 644 62
Cemetery	16 141 08
Public safety:	
Fire protection	57 358 26
Law enforcement	1 000 00
Planning	100 00
Public works:	
Highways and streets	92 871 53
Drains	31 595 23
Culture and recreation:	
Library	2 000 00
Parks and recreation	414 88
Capital outlay	<u>10 195 00</u>
Total expenditures	<u>353 656 92</u>
Excess (deficiency) of revenues over expenditures	180 919 78
Fund balance, April 1	<u>232 738 55</u>
Fund Balance, March 31	<u><u>413 658 33</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF VICTOR
Clinton County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	180 919 78
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(30 186 00)
Capital Outlay	<u>10 195 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>160 928 78</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF VICTOR
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Victor, Clinton County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Victor. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Venture

The Township and the Townships of Bingham and Greenbush jointly operate the Clinton Area Fire and Rescue to provide fire protection services for the three entities. For the fiscal year ended March 31, 2006, the Township of Victor provided \$57,358.26 to the Fire Authority. The joint venture is not considered a part of the reporting entity of the Township of Victor. Separate financial statements of the Fire Authority may be obtained directly from them at P.O. Box 114 in St. Johns, Michigan.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

TOWNSHIP OF VICTOR
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was 2.3690 mills, and the taxable value was \$97,120,915.00

TOWNSHIP OF VICTOR
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	20-50 years
Equipment	5-20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

TOWNSHIP OF VICTOR
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 2 – Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>392 281 44</u>

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>310 112 94</u>
Total Deposits	<u>410 112 94</u>

The Township of Victor did not have any investments as of March 31, 2006.

TOWNSHIP OF VICTOR
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/05	Additions	Deletions	Balance 3/31/06
<u>Governmental Activities:</u>				
Land	127 300 00	-	-	127 300 00
Buildings	226 410 00	-	-	226 410 00
Equipment	332 990 00	10 195 00	-	343 185 00
Total	686 700 00	10 195 00	-	696 895 00
Accumulated Depreciation	(104 561 00)	(30 186 00)	-	(134 747 00)
Net Capital Assets	<u>582 139 00</u>	<u>(19 991 00)</u>	<u>-</u>	<u>(562 148 00)</u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township has a deferred compensation plan covering all employees. The Township contributes a percentage of each employee's wages to the plan. The employees also made contributions to the plan. The net expense for the fiscal year ended March 31, 2006, was \$4,837.08.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Victor does not issue building permits. Building permits are issued by the County of Clinton.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>5 057 99</u>	Current Tax Collection	<u>5 057 99</u>

TOWNSHIP OF VICTOR
Clinton County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	219 991 00	219 991 00	230 060 94	10 069 94
Licenses and permits	11 100 00	11 100 00	9 735 60	(1 364 40)
State revenue sharing	222 000 00	222 000 00	226 095 14	4 095 14
Charges for services:				
Property tax administration	30 000 00	30 000 00	32 011 42	2 011 42
Other	9 950 00	9 950 00	9 088 20	(861 80)
Interest	2 000 00	2 000 00	5 164 52	3 164 52
Miscellaneous	9 100 00	9 100 00	22 420 88	13 320 88
Total revenues	<u>504 141 00</u>	<u>504 141 00</u>	<u>534 576 70</u>	<u>30 435 70</u>
Expenditures:				
Legislative:				
Township Board	38 956 00	38 119 25	34 450 28	(3 668 97)
General government:				
Supervisor	12 250 00	12 250 00	12 000 00	(250 00)
Elections	7 500 00	7 500 00	3 909 64	(3 590 36)
Assessor	22 028 00	24 625 29	24 625 21	(08)
Clerk	19 800 00	21 300 00	21 257 18	(42 82)
Board of Review	925 00	925 00	885 26	(39 74)
Treasurer	17 380 00	17 940 42	16 208 75	(1 731 67)
Building and grounds	25 200 00	29 335 40	28 644 62	(690 78)
Cemetery	16 425 00	16 425 00	16 141 08	
Public safety:				
Fire protection	168 000 00	168 000 00	57 358 26	(110 641 74)
Law enforcement	1 000 00	1 000 00	1 000 00	-
Planning	1 000 00	1 000 00	100 00	(900 00)
Public works:				
Highways and streets	122 000 00	122 000 00	92 871 53	(29 128 47)
Drains	10 000 00	31 595 23	31 595 23	-
Culture and recreation:				
Library	2 000 00	2 000 00	2 000 00	-
Parks and recreation	1 500 00	1 500 00	414 88	(1 085 12)
Capital outlay	4 000 00	4 000 00	10 195 00	6 195 00
Other:				
Contingency	<u>30 000 00</u>	<u>448 41</u>	<u>-</u>	<u>(448 41)</u>
Total expenditures	<u>499 964 00</u>	<u>499 964 00</u>	<u>353 656 92</u>	<u>(146 307 08)</u>
Excess (deficiency) of revenues over expenditures	4 177 00	4 177 00	180 919 78	176 742 78
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>232 738 55</u>	<u>232 738 55</u>
Fund Balance, March 31	<u>4 177 00</u>	<u>4 177 00</u>	<u>413 658 33</u>	<u>409 481 33</u>

TOWNSHIP OF VICTOR
Clinton County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Township Board:	
Salaries	4 555 00
Publishing	1 794 38
Audit	2 200 00
Legal	1 054 00
Miscellaneous	2 980 78
Dues	1 871 38
Payroll taxes	1 413 91
Supplies	4 964 75
Deferred compensation	4 837 08
Insurance	8 779 00
	<u>34 450 28</u>
Supervisor:	
Salary	<u>12 000 00</u>
Elections:	
Wages	2 690 25
Miscellaneous	1 219 39
	<u>3 909 64</u>
Assessor:	
Salary	17 227 92
Miscellaneous	7 397 29
	<u>24 625 21</u>
Clerk:	
Salary	14 100 00
Deputy	3 915 00
Miscellaneous	3 242 18
	<u>21 257 18</u>
Board of Review:	
Salaries	825 00
Miscellaneous	30 26
	<u>885 26</u>
Treasurer:	
Salary	13 680 00
Deputy	351 00
Miscellaneous	2 177 75
	<u>16 208 75</u>
Building and grounds:	
Utilities	9 507 02
Contracted services	19 137 60
	<u>28 644 62</u>
Cemetery:	
Contracted services	14 819 08
Miscellaneous	1 322 00
	<u>16 141 08</u>
Fire protection:	
Contracted services	<u>57 358 26</u>
Law enforcement	<u>1 000 00</u>
Planning:	
Miscellaneous	<u>100 00</u>

TOWNSHIP OF VICTOR
Clinton County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Highways and streets:	
Repairs and maintenance	<u>92 871 53</u>
Drains	<u>31 595 23</u>
Library	<u>2 000 00</u>
Parks and recreation	<u>414 88</u>
Capital outlay	<u>10 195 00</u>
Total Expenditures	<u><u>353 656 92</u></u>

TOWNSHIP OF VICTOR
Clinton County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2006

	Balance 4/1/05	Additions	Deductions	Balance 3/31/06
<u>Assets</u>				
Cash in Bank	<u>5 081 42</u>	<u>2 625 200 70</u>	<u>2 625 223 90</u>	<u>5 058 22</u>
<u>Liabilities</u>				
Due to other funds	1 468 94	250 418 46	246 829 41	5 057 99
Due to others	<u>3 612 48</u>	<u>2 674 782 24</u>	<u>2 378 394 49</u>	<u>23</u>
Total Liabilities	<u>5 081 42</u>	<u>2 625 200 70</u>	<u>2 625 223 90</u>	<u>5 058 22</u>

TOWNSHIP OF VICTOR
Clinton County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2006

Cash on hand and in bank – beginning of year	<u>5 081 42</u>
Cash receipts:	
Current property tax	2 598 416 42
Property tax administration fees	25 844 80
Interest	<u>939 48</u>
Total cash receipts	<u>2 625 200 70</u>
Total beginning balance and cash receipts	<u>2 630 282 12</u>
Cash disbursements:	
Township General Fund	246 829 41
Clinton County	1 359 451 45
Laingsburg Community School	686 073 80
Ovid-Elsie Area Community School	60 197 95
St. Johns Public School	109 544 18
Bath Community School	36 735 37
Clinton County Regional Education Service District	90 176 57
Lansing Community College	13 499 94
Clinton Area Transit System	12 674 34
Refunds	<u>10 040 89</u>
Total cash disbursements	<u>2 625 223 90</u>
Cash on Hand and in Bank – End of Year	<u>5 058 22</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 3, 2006

To the Township Board
Township of Victor
Clinton County, Michigan

We have audited the financial statements of the Township of Victor for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Victor in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Victor
Clinton County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants